



## **NEGATIVE EFFECTS OF PERSONALIZATION IN DIRECT MARKETING**

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Direct marketing specialists use personalization to help them improve the performance of their marketing activities. Studies in this area often focus on analyzing the positive effects of personalization and their determinants. Only few investigate the negative effects that can occur when direct marketing tools (e.g. promotional emails) are highly personalized. Therefore the purpose of this article is to detect, basing on research conducted among young Internet users in Poland, to what extent customers accept and appreciate personalized messages and when they start to perceive highly customized online display ads and e-mails as personal risk.

**Keywords:** Personalization, Direct marketing, Positive effects, Negative effects, Personalization reactance.

### **Introduction**

Companies adjust their activities to changes occurring in consumer behavior. Such trends as individualism, skepticism, hedonism or self-fulfillment push marketers to personalize marketing tools to improve the performance of their efforts. More and more companies which until recently treated their target markets in a mass one-size-fits-all manner, now personalize their products and/or other marketing-mix tools to better match their offer to the needs of particular customers.

In direct marketing, personalization has been applied for decades. According to Ross (1992), the first personalized marketing letters were used in the 1870s. Also in our times one believes that one of the objectives of direct marketers is to interact with customers on a one-to-one basis (Spiller & Baier, 2010). Implementing the personalized approach to the customer, however, is not easy. Personalization is a broad and ambiguous concept. It is defined differently and thus differently executed. For example, in direct mail it could be a hand addressed envelope as well as including in the promotional letter an offer tailored to the characteristics and previous buying behaviors of the particular customers. Direct marketers are faced with the challenge of determining which ways of personalizing the particular direct marketing tools are effective, what level of individualization translates into higher response rate and better financial results, and when personalization produces negative effects (e.g. invokes in the customer a sense of violating their privacy).

The effects of personalization of direct marketing activities will be the subject of this article. Special attention will be put on the relatively seldom discussed in the literature negative aspects of individualizing direct marketing online.

### **Various Faces of Personalization**

The literature review reveals different approaches to personalization. For example, Peppers and Rogers (1997) treat personalization as a process in which, by using the information about the customer, a targeted solution to that customer is provided. Personalization may be equated with matching all the marketing-mix to the features and needs of the specific customer, but it may also indicate adjusting one of marketing tools, particularly marketing communication. One can quote here Imhoff et al. (2001), who describe personalization as "the ability of a company to recognize and treat its customers as individuals through personal messaging, targeted banner ads, special offers on bill, or other personal transactions", or the perspective of Roberts (2003), who views personalization as "the process of preparing an individualized communication for a specific person based on stated or implied preferences". Also, White et al. (2008) in line with Postma and Brokke (2002) use the term personalization as a form of communication that sends different recipients different messages tailored to their individual characteristics and preferences.

In the context of discussing the essence of personalization, it offer appears in parallel with the term customization. The definitions presented in the subject literature present the relationship between the two terms along different lines. Sometimes personalization and customization are treated synonymously, at other times customization is presented as one of the ways of personalization, and yet in other definitions both terms are regarded as clearly distinctive (see Table 1.)

**Table 1.** Personalization versus customization.

<b>Author</b>	<b>Interrelationship</b>
Peppers et al. (1999)	It's not important to distinguish between personalization and customization
Hanson (2000)	Customization is a part of the personalization concept and different levels of personalization create a continuum
Imhoff et al. (2001)	Customization is a part of the personalization concept
Wind and Rangaswamy (2001)	Customization is a more advanced form of personalization
Coner (2003)	It's important to distinguish between personalization and customization. Customization is a form of personalization that is done by customer
Arora et al. (2008)	It's important to distinguish between personalization and customization. Personalization occurs when the firm decides what marketing-mix is suitable for the individual. It is based on previously collected customer data. Customization occurs when the customer pro-actively specifies one or more elements of his or her marketing-mix

Source: own work based on (Vesanen, 2007) and (Arora et al., 2008).

Diverse understanding and defining personalization is also the case about specific tools of marketing communications. It is especially noticeable in direct marketing, where - as mentioned earlier - communication with customers on a personal, individual basis is one of the fundamental tasks of marketers. The diverse nature of activities within direct marketing (e.g. direct mail, telemarketing, e-mails, online display ads, mobile applications, direct response advertising, etc.), the development of informational technologies and marketers' inventiveness translate into a multitude of personalization methods. Table 2. shows, on the basis of merely one of direct marketing tools - direct mail, how different personalized communication with customers can be.

**Table 2.** Personalization methods used in direct mail packages and mail surveys.

Author	Personalization methods
Forsythe (1977)	Letter addressed by name
Pressley (1978), Childers et al. (1980)	Handwritten postscript on a cover letter
Little and Pressley (1980)	Inclusion of card with handwritten phrase
Wunder and Wynn (1988), Neider and Sugrue (1983), Tezinde, Smith, & Murphy (2002), McCoy and Hargie (2007)	Hand addressed envelope
James and Hairong (1993)	Creating an impression that the recipient's address is handwritten
Clark and Kaminski (1988)	Handwritten cover letter and signature and individual salutation
Byrom and Bennison (2000)	Envelope with handwritten address and postage stamp
Cycyota and Harrison (2002)	Handwritten yellow sticky note attached signed by research team member and personal salutation on cover letter
Larson and Chow (2003)	Personalized letter

Source: own work based on (McCoy & Hargie, 2007) and (Tezinde et al., 2002).

The great variety can also be observed in ways of individualizing other tools of direct marketing. For example, modern tools of direct marketing online such as display ads or e-mails can be personalized by including in the message content:

- the first name and/or surname of the recipient,
- a reference to the recipient's place of residence,
- a reference to the recipient's characteristics (e.g. gender, age, education),
- a reference to information that the recipient previously searched online,
- a reference to previous online shopping.

### Effects of Personalization

Personalization can create benefits both for the customer and the marketer. For the consumer, it may signify a better preference match, better offer and better communication (Vesanen, 2007). It may show the customer that he/she is individually important (Dillman, 1978).

Personalization can also bring benefits for direct marketers: ability to set higher prices for the product/service, higher profits, better response (measured in response rate, click through rate or opening rate), customer satisfaction and loyalty, differentiation from competitor (Arora et al., 2008; Postma & Brokke, 2002; Vesanen, 2007). It may evoke a norm of reciprocity (Gendall, Hoek, & Brennan, 1998). According to Helgeson (1994) even a simple way of personalizing an envelope (its handwritten address) is less likely to be perceived as junk mail.

One needs to emphasize that the use of personalization does not always lead to the above effects. The findings on the effectiveness of personalization in increasing the response are inconclusive (McCoy & Hargie, 2007; Postma & Brokke, 2002). Some studies confirm what was stated above - they demonstrate that the usage of personalization increases response rates or click through rates (e.g. Malthouse & Elsner, 2006; Postma & Brokke, 2002). Other findings show that "the personal touch" has no significant impact on the number of replies (e.g. Byrom & Bennison, 2000; Porter & Whitcomb, 2003), and others yet revealed that personalization significantly decreases the number of responses (e.g. Neider & Sugrue, 1983).

Moreover, the form of personalization considered effective in one industry or relation to a specific segment of buyers, may prove ineffective in a different market environment. It is worth drawing a distinction between the effects of personalization in activities of companies directing their offer to individual customers and those operating in the business-to-business sphere. For example, Neider and Sugrue (1983) suggest that hand-addressed envelopes may be a sign of lack of professionalism in marketing activities undertaken on the business-to-business market.

Personalization may be expensive. Individualization of direct marketing tools is not a technical problem nowadays. It is possible to personalize the recipient data not only on the envelope or in the e-mail subject line, but also in the content of the message (e.g. a cover letter). However, this requires access to a good database and implementation of adequate software (Arora et al., 2008), which often equals higher costs but not necessarily greater profits.

The right personalization, i.e. adequate to the customer's needs and the state of customer-supplier relations, should be based on the proper use of demographic, psycho-graphic and/or behavioral data. Meanwhile, numerous companies limit personalization to placing in the message content the first and/or the second name of the customer without adding any other personalization details. Such seeming personalization already at first glance creates an impression of mass communication and usually results in a negative reception by customers.

Showing negative effects of personalization, one needs to mention the other extreme - using too much information about the customer in constructing the message. Fundamental in personalization is the idealistic notion that the offer and/or marketing communication must be closely matched with the customer's needs and preferences. However, as White et al. (2008) indicate, highly personalized messages can backfire, resulting in personalization reactance. That reactance occurs when customers are under impression that they are too identifiable or observable by the company.

To summarize the deliberations based on the literature review, one ought to emphasize that researchers usually analyze the positive effects of personalization in direct marketing. Only few studies investigate the negative effects that can occur when direct marketing tools (e.g. promotional e-mails) are highly personalized. What is more, most studies are concerned with the effects of personalization of direct mail. There are significantly fewer articles discussing the advantages and disadvantages of other modern tools of direct marketing (Postma & Brokke, 2002; White et al., 2008). Therefore, the purpose of own research was to detect to what extent customers accept and appreciate personalized online display ads and e-mails, and when they start to perceive the highly customized direct marketing communication as personal risk.

### **Methodology of Own Research and Respondents' Characteristics**

The research was exploratory in nature. The data was collected with the use of an online survey. Snowball sampling was applied in the sample selection. It was conducted among 90 active Polish Internet users in June 2014. Persons aged 18-40 with secondary and higher educations were intentionally selected for the research, assuming that they constitute the most experienced and aware (also as recipients of marketing activities) group of Polish Internet users. Detailed data concerning their demographic profile is depicted in Table 3.

The survey questionnaire consisted of 7 questions: 2 in the main part and 5 demographics questions. First the respondents were asked which forms of personalized marketing communications they came across in the preceding three months. The second question contained a scale comprising 14 statements. The respondents could determine to what extent they agreed with the given statements using the 5-point Likert scale. Its use was aimed at determining the respondents' attitude to the selected ways of direct marketing personalization and their willingness to share data in an online environment.

In the demographics part, the questions related to gender, age, place of residence, education level and economic situation of respondents.

**Table 3.** Respondents' demographic profile (N=90).

Variable	% of respondents	
Gender	Woman	75,6
	Man	24,4
Age	18-20 years old	4,4
	21-25 years old	71,1
	26-30 years old	8,9
	31-35 years old	6,7
	36 - 40 years old	8,9
Place of residence	A rural area	11,1
	A town with up to 20 thousand inhabitants	7,8
	A town with 21 to 99 thousand inhabitants	8,9
	A town with 100 to 499 thousand inhabitants	18,9
	Town with 500 thousand inhabitants and more	53,3
Education	Secondary	22,2
	Higher	77,8
Perception of economic situation	Very good	14,4
	Good	45,6
	Average	34,4
	Bad	4,4
	Very bad	1,2

Source: own work based on survey.

### Opinions on Personalized Marketing Communications Online

The respondents' statements indicate that they are exposed to various forms of personalization of online advertising. Persons who notice the effects of behavioral targeting constitute the biggest group. Fewer respondents, in the previous 3-month period, came across online advertising containing their name, surname or the content that was relevant to their demographic and geographic data.

**Table 4.** Ways of personalization of online advertising the respondents came across in the preceding 3 months (multiple choice question, N=90)

Response options	% of respondents
Advertisement's content related to information previously searched online	84,4
Advertisement contained my first name and/or surname	55,6
Advertisement's content related to my characteristics (e.g. gender, age, education)	50,0
Advertisement's content related to my place of residence	46,7
Advertisement's content related to previous online shopping	22,2

Source: own work based on the survey.

The respondents are aware of their online behaviors being continually monitored. Three-quarters of the respondents have the impression that companies trace their every move on the Internet. Most of them, however, do not notice the results of these observations in the form of a tailor-made marketing offer. Slightly more than 40% of the respondents agreed with the statement that advertisements displayed online match their needs and interests; however, a little more than half (57%) of the respondents believe that online advertising has nothing to do with individual treatment of the customer.

**Table 5.** Respondents' opinions on personalization of online advertising (% of respondents)

No.	Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1.	I get the impression that companies follow my every move online.	5,6%	5,6%	13,3%	52,2%	23,3%
2.	The content of online advertising matches my needs and interests.	1,1%	20,0%	35,6%	32,2%	11,1%
3.	I don't mind personalized advertising based on automatically collected information (such as the IP address, previously browsed websites, the time and place of accessing the Internet).	33,3%	30,0%	10,0%	21,1%	5,6%
4.	I don't mind personalized advertising based on information I shared voluntarily (e.g. on signing up for a social media portal or on registering a free email account).	17,8%	13,3%	18,9%	37,8%	12,2%
5.	I usually open promotional e-mails containing my name in the subject line.	60,0%	26,7%	4,4%	3,3%	5,6%
6.	I like it when promotional e-mails include an offer specially prepared for me.	33,3%	27,8%	23,3%	10,0%	5,6%
7.	I like it when companies send me e-mails with special occasion wishes (e.g. birthday wishes).	35,6%	26,7%	21,1%	10,0%	6,7%
8.	I usually share my real personal data with companies as thanks to this I receive offers/recommendations better suited to my needs.	21,1%	26,7%	33,3%	13,3%	5,6%
9.	I make my real personal data accessible to companies only in exchange for specific benefits (e.g. a money saving coupon, gift, entering a prize draw).	11,1%	14,4%	22,2%	38,9%	13,3%

10.	I share my personal data only with trustworthy companies.	7,8%	7,8%	15,6%	48,9%	20,0%
11.	I avoid revealing real personal data in order to protect my privacy.	10,0%	12,2%	15,6%	40,0%	22,2%
12	I treat every promotional e-mail, even if it seems to be personalized, as spam.	5,6%	11,1%	16,7%	30,0%	36,7%
13	I think that online advertising has nothing to do with individual treatment of the customer.	6,7%	12,2%	24,4%	30,0%	26,7%
14	I get annoyed by advertisements persuading me to revisit e-shops whose offer I recently browsed.	8,9%	6,7%	21,1%	36,7%	26,7%

Source: own work based on the survey.

Based on the survey results one can also state that active Internet users are fairly skeptical about personalization of online marketing communication. They set rather clear boundaries as far as sharing data is concerned. Half of them accept personalized advertising based on information shared voluntarily (e.g. on registering in a social media portal or when setting up a free email account). Almost half the size (27%) is the group of persons who agree on personalization of the message based on information collected automatically (such as IP address, previously viewed websites, time and place of accessing the Internet). The confirmation of the Internet users' reluctance to personalization of advertising, on the basis of an analysis of Internet behaviors, is their attitude towards advertisements persuading users to re-visit e-shops whose offer they had recently browsed. Nearly two-thirds of the respondents are irritated when such type of advertisements gets displayed.

It is not surprising therefore that respondents try to protect their privacy and are rather unwilling to make their real personal data available to companies in order to receive an offer that is better matched to their needs. Almost two-thirds of the respondents avoid revealing real personal data for the purpose of protecting their privacy. And 7 out of 10 respondents declare that they reveal their true personal data only to trustworthy companies. What is interesting, respondents' sensitivity to protecting their privacy decreases when additional benefits are at stake (e.g. a money saving coupon, gift or entry in a prize draw). When this is the case, more than half of the respondents are willing to pass on their personal information to the company.

One of the simplest (in the era of informational technology) and at the same time one of the most frequently used way of personalizing promotional e-mailing - placing the recipient's name in the message subject line, is not effective in the light of the respondents' declarations. Barely 9% of respondents open such e-mails. The respondents do not "appreciate" also other, more advanced, e-mail personalization techniques. Only 16% of them agreed with the statement "I like it when promotional e-mails include an offer specially prepared for me". A similar percentage (17%) like receiving e-mails with special occasion wishes from the company. Nevertheless, two-thirds of the respondents treat every, even personalized, e-mail as spam (see Table 5.).

## **Conclusions**

It is generally accepted that personalization of marketing activities (including direct marketing ones) provides nothing but benefits for both the marketer and customer. The literature review as well as results of own research suggests that such "unquestioning" approach is not justified. Personalization in direct marketing can also produce negative results - it can evoke in customers a sense of having their privacy violated, reluctance to share information and, consequently, result in the negative perception of the personalized tools.

Results of the conducted research show that such a situation can be observed in an online environment. Young, proactive, educated Internet users are rather skeptical about personalized display ads and e-mails. What is interesting is the fact that they do notice the efforts of companies trying to match the advertising content to a specific person, yet they do not treat it as an indication of individual approach to the customer. They respond to online personalization rather negatively and perceive it as feigned personalization and/or invasion of privacy.

## **Future research**

The research was exploratory in nature. It would be worthwhile to conduct it on a larger scale - on a sample of Internet users representative both in terms of the number and the selected features. Analyzing the relationship between declarations and demographic as well as social characteristics could be the basis for a new segmentation of Polish Internet users.



The research was based on declarations of respondents. It would be worth therefore conducting additional field experiments whose results would show how Internet users react in an online environment to various forms of personalization of marketing communication.

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